

SENATE JOURNAL

OF THE

IDAHO LEGISLATURE

SECOND REGULAR SESSION
FIFTY-SEVENTH LEGISLATURE

FIRST LEGISLATIVE DAY
MONDAY, JANUARY 12, 2004

Senate Chamber

At the hour of 12 noon on Monday, January 12, 2004, the time established for the convening of the Second Regular Session of the Fifty-Seventh Idaho Legislature, the members of the Senate convened in the Senate Chamber of the Capitol in the city of Boise, President James E. Risch presiding.

The following Certificate of Election was read by the Secretary of the Senate:

STATE OF IDAHO
OFFICE OF THE SECRETARY OF STATE

CERTIFICATE OF ELECTION

I, BEN YSURSA, Secretary of State of the State of Idaho and legal custodian of the records of elections held in the State of Idaho, do hereby certify that the following is a full, true, and complete list of those elected to serve as members of the Senate of the Second Regular Session of the Fifty-seventh Legislature, as shown by official records on file in my office:

DISTRICT	NAME
1	Shawn A. Keough(R)
2	Martha "Marti" Calabretta(D)
3	Kent M. Bailey(R)
4	John W. Goedde(R)
5	Dick Compton(R)
6	Gary J. Schroeder(R)
7	Joe Stegner(R)
8	R. Skipper "Skip" Brandt(R)
9	Monty J. Pearce(R)
10	Ron McWilliams(R)
11	Brad Little(R)
12	Curt McKenzie(R)
13	Patti Anne Lodge(R)
14	Hal Bunderson(R)
15	John C. Andreason(R)
16	Cecil D. Ingram(R)
17	Elliot Werk(D)
18	Sheila A. Sorensen(R)
19	Mike Burkett(D)
20	Gerry Sweet(R)

21	Jack Noble(R)
22	Fred Kennedy(D)
23	Tom Gannon(R)
24	Laird Noh(R)
25	Clint Stennett(D)
26	Dean L. Cameron(R)
27	Denton Darrington(R)
28	J. Stanley Williams(R)
29	Bert Marley(D)
30	Edgar J. Malepeai(D)
31	Robert L. Geddes(R)
32	Melvin "Mel" Richardson(R)
33	Bart M. Davis(R)
34	Brent Hill(R)
35	Don M. Burtenshaw(R)

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed the Great Seal of the State of Idaho. Done at Boise, the Capital of Idaho, this Fifth day of January, in the year of our Lord, Two Thousand and Four, and of the Independence of the United States of America, the Two Hundred and Twenty-eighth.

/s/ BEN YSURSA
Secretary of State

The Certificate of Election was ordered filed in the office of the Secretary of the Senate.

Roll call showed all members present except Senators Goedde and Little, absent and formally excused by the Chair.

Prayer was offered by Chaplain Don Hardenbrook, Associate Pastor of the Nampa Church of the Brethren, Nampa, Idaho.

The Pledge of Allegiance was led by Caitlin Lavelle, Page.

On request by Senator Davis, granted by unanimous consent, the Senate advanced to the Tenth Order of Business.

Motions and Resolutions

On motion by Senator Davis, seconded by Senator Stennett, by voice vote the Rules of the Senate and Joint Rules of the Senate and House as adopted by the First Regular Session of the Fifty-seventh Idaho Legislature were adopted as the Rules of the Second Regular Session of the Fifty-seventh Idaho Legislature.

On request by Senator Davis, granted by unanimous consent, the Senate returned to the Eighth Order of Business.

Messages from the Governor

January 12, 2004

The Honorable James E. Risch
President of the Senate
Idaho Legislature

Dear Mr. President:

I have the honor to inform you that I have appointed Carlos Bilbao of Emmett, Idaho, to be Acting State Senator for Legislative District 11. This appointment will be effective

January 12, 2004, and continue until such time as Senator Brad Little is able to resume his duties.

Sincerely,
/s/ Dirk Kempthorne
Governor

THE OFFICE OF THE GOVERNOR
EXECUTIVE DEPARTMENT
BOISE, IDAHO
CERTIFICATE OF APPOINTMENT

KNOW ALL MEN, by these Presents that pursuant to the provisions of Section 59-917, *Idaho Code*, Brad Little, State Senator, District 11, Canyon and Gem Counties, State of Idaho, has nominated Carlos Bilbao of Emmett, Idaho, to perform the duties of this office temporarily as Acting State Senator, District 11, Canyon and Gem Counties.

NOW, THEREFORE, I, DIRK KEMPTHORNE, Governor of the State of Idaho, by virtue of the authority vested in me do hereby appoint Carlos Bilbao, to the office of State Senator, District 11, Canyon and Gem Counties, State of Idaho, for a term commencing on January 12, 2004, and continuing until such time as Senator Brad Little is able to resume his duties.

IN TESTIMONY WHEREOF, I have hereunto set my hand and caused to be affixed the Great Seal of the State of Idaho.

Done at Boise, the Capital of Idaho, this Twelfth day of January, in the year of our Lord Two Thousand and Four and of the Independence of the United States of America, the Two Hundred and Twenty-eighth year.

/s/ BY THE GOVERNOR DIRK KEMPTHORNE
/s/ SECRETARY OF STATE BEN YSURSA

The correspondence and Certificate of Appointment were ordered filed in the office of the Secretary of the Senate.

The President announced that the Oath of Office had been administered previously to Acting Senator Carlos Bilbao, and he was recorded present at this order of business.

On request by Senator Davis, granted by unanimous consent, the Senate advanced to the Tenth Order of Business.

Motions and Resolutions

On request by Senator Davis, granted by unanimous consent, Captain Britt Van Shur, Idaho Air National Guard Honor Guard entered the Chamber. President Pro Tempore Geddes recited a brief history of the tradition of the flag ceremony. President Risch presented the Idaho State flag to Captain Van Shur to be raised above the Senate dome to fly during the Second Regular Session of the Fifty-seventh Idaho Legislature. Ms. June Schmitz led the Senate in singing a medley of "God Bless America" "America the Beautiful," and "Here We Have Idaho." Ms. Schmitz and the Honor Guard exited the Chamber.

On request by Senator Davis, granted by unanimous consent, the President appointed a committee consisting of Senator Williams, Chairman, and Senators Sweet and Calabretta to escort the committee from the House of Representatives into the Senate Chamber. Representatives Jones, Raybould, and Mitchell informed the Senate that the House of Representatives was now organized and ready to conduct business.

The Representatives from the House were then escorted from the Chamber and the committee was discharged.

On request by Senator Davis, granted by unanimous consent, the President appointed a committee consisting of Senator Ingram, Chairman, and Senators Hill and Kennedy to notify the Governor that the Senate is now organized and ready to conduct business.

The committee was excused.

On request by Senator Davis, granted by unanimous consent, the President appointed a committee consisting of Senator Brandt, Chairman, and Senators Richardson and Malepeai to notify the House of Representatives that the Senate is now organized and ready to conduct business.

The committee was excused.

The committee appointed to wait upon the Governor returned and reported that the Governor sent his best wishes to the Senate members.

The committee was discharged.

The committee appointed to wait upon the House of Representatives returned and reported that they had conveyed the message to the House and the House expressed their best wishes for a productive session.

The committee was discharged.

On request by Senator Davis, granted by unanimous consent, the Senate returned to the Ninth Order of Business.

Messages from the House

January 12, 2004

Mr. President:

I transmit herewith **HCR 34** which has passed the House.

JUKER, Chief Clerk

HCR 34 was filed for first reading.

On request by Senator Davis, granted by unanimous consent, the Senate advanced to the Eleventh Order of Business.

Introduction, First Reading, and Reference of Bills, House Petitions, Resolutions, and Memorials

HCR 34, by Denney and Jaquet, was introduced and read at length.

Moved by Senator Davis, seconded by Senator Stennett, that all rules of the Senate interfering with the immediate consideration of **HCR 34** be suspended. The question being, "Shall the rules be suspended?"

Roll call resulted as follows:

AYES--Andreason, Bailey, Bilbao(Little), Brandt, Bunderson, Burkett, Burtenshaw, Calabretta, Cameron, Compton, Darrington, Davis, Gannon, Geddes, Hill, Ingram, Kennedy, Keough, Lodge, Malepeai, Marley, McKenzie, McWilliams, Noble, Noh, Pearce, Richardson, Schroeder, Sorensen, Stegner, Stennett, Sweet, Werk, Williams. Total - 34.

NAYS--None.

Absent and excused--Goedde. Total - 1.

Total - 35.

More than two-thirds having voted in the affirmative, the President declared the rules suspended and announced that **HCR 34** was before the Senate for final consideration, the question being, "Shall the resolution be adopted?"

On motion by Senator Davis, seconded by Senator Stennett, **HCR 34** was adopted by voice vote, title was approved, and the resolution ordered returned to the House.

On request by Senator Davis, granted by unanimous consent, the Senate advanced to the Twelfth Order of Business.

Second Reading of Bills

On motion by Senator Davis, seconded by Senator Stennett, by voice vote the Senate recessed at 12:55 p.m. until the hour of 6 p.m. of this day.

RECESS EVENING SESSION

The Senate reconvened at 6 p.m., pursuant to recess, President Risch presiding.

Roll call showed all members present except Senator Calabretta, absent and excused.

Prior to recess the Senate was at the Twelfth Order of Business, Second Reading of Bills.

On request by Senator Davis, granted by unanimous consent, the Senate went at ease for the purpose of attending a joint session to hear the Governor's State of the State Address and the State of the Judiciary Address by the Chief Justice of the Supreme Court.

JOINT SESSION

Pursuant to **HCR 34**, the hour of 7 p.m. having arrived, the members of the Senate entered into the House Chamber and met in Joint Session with Speaker Newcomb presiding.

Roll call of the House showed all members present except Representative Bell, absent and excused.

Roll call of the Senate showed all members present except Senator Calabretta, absent and excused.

On request by Representative Denney, granted by unanimous consent, the Speaker appointed three committees to wait upon the Supreme Court Justices and Appellate Court Judges, the elected officials, and the Governor and escort them to the House Chamber.

The Speaker appointed Senators Darrington and Burkett and Representatives Field and Boe as the committee to wait upon and escort the Supreme Court Justices and Appellate Court Judges to the House Chamber.

The Speaker excused the committee.

The Speaker appointed Senators Stegner and Sorensen and Representatives Ridinger and Martinez as the committee to wait upon and escort the elected officials to the House Chamber.

The Speaker excused the committee.

The Speaker appointed Senators Davis and Stennett and Representatives Denney and Jaquet as the committee to wait upon and escort the Governor to the House Chamber.

The Speaker excused the committee.

The committees appointed by the Speaker returned and escorted the Supreme Court Justices, Appellate Court Judges, the elected officials, and the Governor into the House Chamber where they were presented to the Joint Session by the Speaker.

The Speaker introduced His Excellency, the Governor of the State of Idaho, Dirk Kempthorne, and the following State of the State Address was delivered by the Governor:

Mr. Speaker. Mr. President. Distinguished members of the Legislature. Madame Chief Justice and distinguished members of the Judiciary. Fellow Constitutional Officers. My fellow Idahoans.

Last year, in the midst of substantial economic crisis, I delivered a message that was difficult, but with no hesitation I can affirm that it was the right thing to do. Last year's speech was also one of the shortest speeches I have delivered before this legislature and yet it sparked the longest session in Idaho history.

And so, without much exaggeration, I can say that it seems like only yesterday that you and I were here.

Thank you for inviting me back.

And thank you for your partnership last session. It wasn't easy for any of us. But the results were clear.

Essential services and responsibilities are covered. We're educating our children, caring for our seniors, providing for our veterans and promoting economic growth.

In the spirit of economy, and with the hope of doing my part to keep this session shorter, tonight I will deliver both my State of the State and budget messages. Perhaps it will set the tone for the task at hand.

The tough decisions we made last year have paid off, and tonight I'll affirm to you that as I anticipated, we're on the road to recovery.

The current fiscal year 2004, which started July 1st and ends June 30th, is sound. And, we will have sufficient funds to get us through fiscal year 2005.

Tonight as we discuss the fiscal year 2005 budget we must focus on how it impacts the following year.

Some of our existing financial assets will go away. For example, you know that we're the beneficiaries of more than \$83 million in one-time federal assistance. We won't receive that money again next year.

The more than \$170 million in temporary sales tax revenue will also go away when it sunsets in June of 2005.

In 2006, we'll also experience a budget anomaly that happens once every 11 years that adds an extra pay period for state employees. This 27th pay period is significant and will cost us an estimated \$20 million.

So as we prepare, the key word is restraint.

Budget pressures will not ease, and the demands on state resources will continue to grow. Therefore, we must be wise; we must be prudent; and we must have vision.

This budget meets the demands of short-term cyclical problems and we're beginning to implement long-term structural changes that will result in better government.

We should be proud of the steps we have taken over the past few years that have positioned Idaho so well.

But we must not be complacent. While we have tremendous opportunities, we still face significant challenges. The reason that fiscal year 2006 is so critical is because, as just stated, some of our current financial assets will no longer exist in that year.

By the following year, fiscal year 2007, I believe we will see a full recovery and a robust national economy.

So tonight, my remarks will focus on restraint, efficiencies, restructuring, doing more with less and continuing to build on our successes.

Tonight I present a bare bones budget that projects a 6.2 percent increase in revenues with only a 3.98 percent increase in expenditures. More than half of the spending increases are required by state or federal law. We're positioning ourselves so that in two years we will still have a balanced budget that does not rely on federal assistance, the temporary sales tax increase and other one-time money.

This is a \$2.083 billion budget that contains no inflation other than medical, no significant enhancements other than where we can demonstrate return on investment, and only one major capital outlay expenditure, which is for replacement of emergency vehicles and equipment.

We will make the \$20.7 million transfer from the General Fund to the Budget Stabilization Fund on schedule. We will receive the \$22.4 million from the tobacco settlement into our Millennium Fund on schedule.

You will also see in my budget more than \$3 million in expanded tax credits and incentives to boost our economy and improve health care for our citizens in every region of the state.

Budget projections show that the temporary sales tax is just that, temporary. It means considerable discipline to get there, but the expiration of the sales tax can proceed as planned.

As the national economy shows signs of recovery, Idaho is among those leading the way. We are well positioned because in the face of tough economic times, we did not retreat. We refused to become victims of a national recession.

We did cut back, just as any good business would do in tough times, but at the same time, we charted a course for this ship of state to be a flagship for recovery.

And I want to compliment you. You should be proud of what you did last session.

Consider what we accomplished.

We've accelerated construction on 10 years' worth of buildings at our colleges and universities.

These buildings will greatly benefit students and the surrounding communities, and turn a \$68 million investment into a \$200 million boost to the state's economy. The bonding resolution, which you passed, allowed this to happen. It is true economic stimulus.

You should be proud of what you helped create.

Many members of the Legislature joined me on our college campuses to celebrate these successes and also as we broke ground and dedicated economic development projects in all regions of Idaho.

Thanks to our Rural Initiative and leveraging other economic development funds, we're opening business parks in Council, Mackay, New Plymouth, Orofino and Salmon. New businesses like Ashley Inn in Cascade, WOW Logistics in Jerome and the Hunt Lodge in McCall are open, putting Idahoans to work.

There are a host of other successes, including downtown improvement projects in St. Maries, Elk City, Kamiah, Montpelier, Firth, Bonners Ferry, Hagerman and Sandpoint.

Idahoan Foods in Rupert reopened thanks to a state grant; Rocky Mountain Hardware has expanded in Shoshone; Dell Computer in Twin Falls keeps growing; Empire Airlines, a top-

flight company, is expanding in Coeur d'Alene; Qwest is adding more workers in Boise, Pocatello and Idaho Falls; and Hecla Mining is expanding their workforce by 50-percent in northern Idaho.

I'm proud of the fact that a national study ranks Idaho first in the country for growth and expansion of women-owned businesses.

Why are businesses moving to or expanding in Idaho? Let me read to you what C.J. Buck, President of Buck Knives, said about moving his business to Post Falls:

"It was the legislative climate in Idaho, which is incredibly business-friendly. There is an understanding that making life easier on local business benefits the state..."

And that same theme is reflected by August Busch in a letter he sent to me just four weeks ago.

"One of the reasons that we chose to expand our facility in [Idaho], rather than elsewhere, is the friendly environment you have fostered for our industry through your tax policies and support of businesses such as ours."

Along with the new Modelo plant, the expansion of the Anheuser Busch facility in Idaho Falls will mean \$40 million in annual purchases from local malt barley growers.

I suppose that we could have gone to communities around the state, stood in vacant lots and offered excuses about the woes of recession. But instead, we stood in front of newly constructed businesses and we affirmed our commitment to building Idaho.

We must continue our efforts. Therefore, I am asking you to restore full funding to my Rural Initiative. With a full \$3 million in block grants we can continue to aggressively boost business development throughout Idaho.

I'm optimistic because I know the character of our people. Idahoans are tough and can rise to any challenge. That's exactly what happened with our outstanding state employees. When asked to do more with less, they have been innovative, efficient and have performed magnificently.

As the nation's fifth-fastest growing state, the demands on state services increase, especially in the face of shrinking budgets. The fact is, we have fewer state employees per capita today than we did ten years ago.

What we can, and must do, is recognize our outstanding public servants.

Therefore, my budget includes an additional \$10 million for employee salary increases.

On top of that, another \$11 million is in the budget to cover increased costs for health insurance and retirement contributions on behalf of our state employees.

I ask you to join me in thanking our more than 17,000 dedicated state workers.

With their help, we've faced our problems head-on. We haven't used smoke and mirrors. There are no gimmicks. No shifting payments to the next fiscal year. Our game plan is solid.

That's what impressed Wall Street. In June, I joined Treasurer Ron Crane and Senator Dean Cameron to make our case before the national bond rating agencies. We told the Idaho story and they liked what they heard.

As a result, we maintained our top bond ratings and not only did that save us millions of dollars in interest, but it's benefitted communities across the state.

Moscow is utilizing our state bond rating and low interest rates to build a needed and impressive expansion to Gritman Hospital.

Salmon is also benefitting from our bond rating and strong fiscal position to build a state-of-the art hospital to meet pressing community needs.

Another element of ensuring economic viability for new business growth is an incentive to create high paying jobs. In 2001, I signed into law a \$500 new job tax credit. I want to raise the bar by doubling the credit if the new jobs pay high wages and include benefits.

The last three years have shown that when the state provides the incentive, the private sector will invest.

Our innovative Broadband tax credit for high-speed communications is a conduit allowing prosperity to flow to rural Idaho and Idaho products to flow to the world.

We knew the potential, but we couldn't quantify the outcome. Now we can. More than half the state has high-speed connections; but the job's not finished and that tax credit is set to expire.

It's the same with our Research and Development Tax Credit. Has it been successful? Just ask Micron Technology, which brought manufacturing jobs and some of the latest technology home from overseas, including an incredible medical breakthrough – the "camera-in-a-pill."

Ask AMI Semiconductor in Pocatello, a world leader in custom integrated circuits for everything from pacemakers to automotive brakes and security systems.

Both companies have opened new multi-million dollar R&D facilities. But now that tax credit, too, is set to expire.

So my recommendation tonight is to continue these incentives so that we can connect all of Idaho with the latest in high-speed communications and continue to promote research and development. I'm asking you to make these tax incentives permanent.

The tax credits and incentives represent an investment of more than \$2.5 million. We're not standing still, we're continually moving forward by investing and by not accepting the status quo.

We've implemented a number of recommendations from the Science and Technology Advisory Council. Led by Dr. Billy Shipp, this group has shaped Idaho's efforts to build our science and technology industries.

The R&D Tax Credit was a direct result of the Science and Tech Advisory Council report. This year, I'm recommending that we adopt another of the Council's recommendations.

The world of telecommunications is rapidly changing and it's time for our state law to align itself with the realities of the current market.

I ask you to consider legislation that allows telecommunications companies the choice to opt out of the current rate-of-return regulatory environment.

Policies such as this will encourage continued investment and deployment of new services, enhance competition, and bring the best products and newest technologies to Idaho consumers and businesses.

Just as Idaho was the first state in the nation to move into a free market environment in the telecommunications industry in 1988, it's time for us to lead again.

It's no accident that high tech is rebounding in Idaho. Beyond the investments made by Micron and AMI Semiconductor, there's a new scientific research park in Post Falls, thanks in large part to the generous support of the Jacklin family.

As a direct result of the Science and Technology Advisory Council's blueprint, we have established three TechConnect offices throughout the state to interface with Idaho universities, technology corporations, entrepreneurs and government. These offices will assist us in our efforts to continue to build an entrepreneurial culture that supports and nurtures new high-tech ventures in Idaho.

At Idaho State University, the new Idaho Accelerator Center will show a 25-to-1 return on the state's \$1 million investment.

Partnering with the private sector, researchers at the center are working on a prototype scanner to detect nuclear materials in rail cars and cargo containers. There's also significant opportunity in the aerospace industry.

You've seen the importance of science and technology to Idaho's economy. I believe it now deserves full-time attention. So tonight, I'm announcing the creation of the Office of Science and Technology. Using existing resources and a new investment of \$100,000, we will begin pushing an aggressive agenda to expand science and technology throughout the state.

I've asked Karl Tueller, a veteran of the Department of Commerce, to head this new office. Karl is a strong leader and he has the experience and the passion to make this a successful endeavor.

While science and technology is a key element to business growth, education is the foundation.

Last year, in an extremely difficult economic climate, we made the decision to support education and, in fact, increase our funding to public schools – while at the same time providing additional accountability for those education dollars.

This year, while some states will be forced to cut education, I am proposing to you a K-12 budget that again provides an increase.

As part of my \$961.8 million budget for K-12 education, I've included \$10 million in discretionary funding for increased salaries – the same amount set aside for salary increases for our state workers.

With these additional dollars for education, I want to continue our success in public schools. Think of all that we have accomplished.

For the first time ever, statewide standards are in place for math, reading and language skills.

And now, the Class of 2006 will begin taking the Idaho Standards Achievement Tests – or ISAT. These students will have as many as six opportunities to pass all sections of the test.

And while the ISAT will test the knowledge of our students, it is really a test to measure the effectiveness of our schools so that we can continually strengthen and improve how we teach our children to be ready to compete successfully in the world.

We continue to make steady advancements in our efforts to have our young people reading at grade level by the third grade. The Idaho Reading Initiative is working.

Soon, thanks to the generosity of the Albertson Foundation, we will launch ISIMS, the Idaho Student Information Management System, that will help parents and teachers track student achievement and attendance through a secure Internet access. Think of it, parents will now have a tool to check their student's test scores, attendance and progress -- 24/7.

Every state is working to follow federal legislation to ensure that no child is left behind when it comes to public education. It has not been a simple task, but I commend our State Board of Education, which has been aggressive in implementing No Child Left Behind.

At the same time, there has been a great deal of discussion this past year about charter schools. Let me affirm that I support charter schools. We must not be afraid to challenge the status quo as we strive for an ever-improving educational system.

We are stewards of the taxpayers' dollars, with a Constitutional duty to provide a sound education for our young people.

Our goal should be to look for and support every possible opportunity to raise the bar in education.

Idaho is one of only two states to have adopted the American Board Certification for Teacher Excellence.

This means that school districts can now look to qualified individuals in their communities – maybe a retired CPA who can teach accounting, or a Registered Nurse who might teach health – and put those talents to use in a classroom to benefit our next generation.

Several years ago we embarked on a new partnership with local school districts to ensure that our children have a safe environment in which to learn. House Bill 315 was landmark legislation that allowed the state to cover all or a portion of the interest for a district that passed a bond to get their “school houses in order.”

Seven school districts utilized the opportunity to partner with the state in fixing or replacing deteriorated and even condemned school buildings. One of those districts was Troy.

I was honored to deliver the final commencement address last spring in the old, 98-year-old high school, and then return a few months later to dedicate Troy’s new high school. Those 13 graduates, and in fact the entire community, were grateful for your help in building a brand new, state of the art facility.

The original school was built using square nails. So, when I spoke to those proud graduates, I gave each of them an antique square nail so that they would remember their roots and the solid foundation they received at that school. Troy High School has come a long way in 100 years.

Fremont, Boundary, Minidoka, Wendell and Wallace school districts also utilized this incentive provided by the state.

The Whitepine school district was the last to pass a bond based on this incentive program, but by then, there was only a small portion of the original \$10 million left in the fund.

I have set aside the remaining \$377,500 in interest requested by the Whitepine District. I now ask you to appropriate these funds.

In higher education, I’ve met with the college and university presidents and told them to prepare for a flat line budget next year.

But even with a flat line budget, our college and universities will see an additional \$5.3 million, or an increase of nearly 2.5% because of the salary increases for faculty and staff, and the increased funding for benefits.

We are continuing funding for scholarship programs to assist young Idahoans to attend secondary or professional-technical schools in state.

Education remains the top priority for this state. Public schools and higher education receive 63 cents out of every tax dollar.

Scholarships for children of POW/MIAs continue, as does financial assistance for our members of the National Guard and recruits who want to seek higher education degrees.

Another thing I’m proud to say we’ve accomplished for military families is we stayed on course with the Idaho Veterans Cemetery.

You may have noticed as you came to the Statehouse today that the POW/MIA flag is flying over this building. It will fly over the Capitol every day until the hallowed ground to honor our veterans is dedicated this summer. At that time, the flag will be transferred to the permanent memorial to our fallen heroes.

Idaho has lost her own heroes in the war on terrorism, and tonight I want to honor those who gave their lives in defense of our freedom: Maj. Gregory Stone of Boise, Sergeant Richard Carl of King Hill, and Private First Class Jerrick Petty of Idaho Falls.

To the families of these men, on behalf of all citizens of the State of Idaho, our sincere thanks and prayers are with you for your sacrifice.

To all men and women serving in our armed forces, including the hundreds of Idaho National Guard and Reservists who served during Operation Iraqi Freedom and the Idahoans currently deployed in the region, I want to thank you for what your service means to the state and the nation.

Over a year ago, I asked 48 talented Idahoans to form a bipartisan, statewide Blue Ribbon Task Force to review state government from top to bottom. J.D. Williams and Chuck Winder co-chaired this remarkable group and did an outstanding job.

The final assessment from the Blue Ribbon Task Force used words like consolidation, modernization, privatization, streamlining and efficiencies.

They made a number of short-term and long-term recommendations, and so far, more than 60 percent of the short-term recommendations have been implemented, including those you approved last year.

I’ve already taken action on some of the longer-term recommendations.

By executive order, I directed the merger of the Disability Determination Service with the Department of Labor. As a result, we’ve redirected nearly \$400,000 away from administrative costs into services to help people find jobs. Idaho’s DDS Division has gained national recognition, improving productivity from 36th in the nation to number one.

I have also directed the Military Division to streamline its operations by consolidating the Bureau of Disaster Services and the Bureau of Hazardous Materials. The new agency, the Bureau of Homeland Security, is not only more efficient, but it more closely reflects the current needs and realities in the aftermath of September 11th.

It’s also my intent to consolidate two executive agencies that share the common goal of business and workforce development. As we work on growing the state’s economy, we’ve recognized the synergy that exists between the Departments of Commerce and Labor.

Many times I've been in meetings with companies considering moving to Idaho. Even as the meetings ran into late nights and early mornings, the Directors of Commerce and Labor have been by my side. I believe that by merging these departments we can maximize our resources, eliminate any redundant functions, while continuing to recruit and retain businesses and create jobs for hard working Idahoans.

I've asked Director Roger Madsen to continue in his double duty over both agencies and to oversee any structural changes that may be necessary. His talents will make this a smooth transition. Therefore, this session, I will send you legislation to merge these departments.

When consolidation of two departments into one can help supercharge economic and workforce development and eliminate duplication, that is a winning combination.

We will continue to look for ways to consolidate, modernize and streamline state government and institute common sense solutions.

For example, today many Medicaid recipients are penalized if they have a job. I say we remove the penalty, and enable Medicaid recipients to work without losing health care benefits and services that help them remain independent.

I urge your support of this common sense change.

In this year, our Medicaid reforms are projected to save more than \$80 million. Add that to previous years, and the total is more than \$160 million. Yet not one person has been dropped from our programs. We have improved service while reducing costs.

I hope you agree with me that not only are the savings significant, but it's the kind of reforms that Idahoans can embrace.

As part of these reforms, we began actively promoting enrollment in the Healthy Connections program to provide everyone in Medicaid with a primary care physician to reduce unnecessary and costly emergency room visits. It's working. Two years ago, enrollment was at 31 percent. We set a goal to increase that to 68 percent. What are the actual results? We far exceeded our expectations. Enrollment is now approaching 80 percent.

We realigned medical reimbursement rates, and while some people thought this would drive the doctors away, it's actually done the opposite. In the last year, an additional 750 physicians are now accepting Medicaid patients.

These are the kind of efficiencies we're looking for and will continue to implement. But despite our reforms, health care costs continue to rise. This year it's going to cost us an additional \$58 million to pay for increased health care costs. Of that, \$43 million will come from our general fund, and \$15 million is going to be paid by one-time federal assistance.

As Chairman of the National Governors Association, I have

made Long Term Care my initiative for the year. It's an issue we will all face.

It's one of the fastest growing parts of our state budget.

It's estimated that one out of every three Americans may go broke paying for long-term care. Private long-term care policies promote independence and choice for our seniors, and reduce the already overwhelming burden on our state Medicaid budget.

In 2001, I signed into law a 50 percent tax deduction for long-term care insurance. This year, I've allocated \$500,000 to increase this deduction to a full 100 percent. We must encourage investment in long-term care policies. This represents sound tax policy and health care policy. We should be dedicated to guaranteeing the dignity that our parents and grandparents deserve.

But this is not the sole cure for our rising Medicaid costs. Until we, as individuals, begin to make significant changes to the way we treat diet and exercise, we will continue to see higher rates of chronic disease and higher costs in health care.

Our focus as a society should not just be on health care, but also on health.

Let me now take a moment to address the health of our environment. Protecting wildlife and enhancing recreational opportunities remain a priority.

First, we have been blessed with a tremendous snowpack in the mountains. This is great news for every farmer and rancher in the state. Every basin in the state is currently above average and this certainly bodes well for recharge of our reservoirs.

We know that we have critical issues of water remaining before us, but we have made progress and will continue to find solutions.

Also, my standard for enhancing and preserving species is cooperation – not conflict.

In that same spirit, we are actively working to remove wolves from the Endangered Species list. It's been nine years – almost to the day – since these predators were imported into Idaho, and their numbers have exploded at the expense of our big game herds.

The wolves have recovered biologically, now let's get the federal bureaucracy out of the way and let Idaho manage the wolves.

Speaking of good management, while many states were forced to close parks and cut their recreation programs, Idaho was able to open its 30th and newest state park this August – Castle Rock State Park in Cassia County. It's a wonderful addition to Idaho's world-class parks – which are visited by more than 2 million people each and every year.

If we continue to build our infrastructure and market Idaho to the world, the visitors will come, and they'll leave knowing that Idaho is one of the most beautiful places on earth.

In Valley County, Tamarack is constructing the first all-season resort to be built in the nation in over 20 years – and it's already gaining national attention. Just last week, the Washington Post named Tamarack as one of the top ten "Hot Destinations" in the country.

Tamarack not only represents the newest asset in Idaho's recreation and tourism portfolio, but it's also bringing new jobs and an economic boost to Valley County and the state. I believe we will see the same synergy in the Silver Valley with the expansion of Silver Mountain resort.

We're on course and gaining momentum. But we must not take anything for granted.

The budget I submit to you tonight – two days early – is structured to keep us on the path to recovery. It's built on the principle of restraint, with a commitment to meet our legal obligations and ongoing support for basic services while aggressively pursuing that which is working.

You will also note in the budget there's virtually no capital outlay. There is \$560,000 for the Idaho State Police. Whether patrolling our highways or investigating crimes, the members of the Idaho State Police need to have safe and reliable vehicles and equipment.

Day in and day out, they put their lives on the line to keep our communities and our highways safe.

I would ask you to join me in thanking all our dedicated law enforcement professionals in the Idaho State Police, as well as correction officers and parole officers.

Much work has been done in the area of corrections. As a result of our efforts over the last year, the adult prison population has remained stable. This is due to the hard work and dedication of the Department of Correction, the Parole Commission, and the Judiciary.

Because of the success of these partnerships, my budget provides no additional resources for prison population increases.

Again, we cannot afford to look at fiscal year 2005 in a vacuum. Traditionally, we've had the luxury of budgeting one year at a time. And while we always budget with a vision for the future, this year, we must look at the budget in terms of 24 months.

It is true that the national economy is recovering. National unemployment is down to 5.7 percent and Idaho's is at 4.8 percent, the lowest since March of 2001.

State revenues are up and in fact, we're projecting an estimated \$68 million carryover from this proposed budget to meet our obligations two years from now.

On those facts alone, it could be tempting to relax and declare victory.

However, let me emphasize that we have not returned to the boom days of the 1990's. We are one more year into what is a multi-year path to recovery. If our numbers hold, by fiscal year

2007 I believe we will have turned the corner to where ongoing revenues again match our projected growth.

Until then, the critical steps we took last year show that we're willing to take responsibility and lead. This year, I'm asking you to join me in continued budgetary restraint.

Let me remind you what will happen in two years when some of our existing financial resources go away. The \$83 million of one-time federal money is gone. The \$170 million temporary sales tax revenue is gone. We have an additional payroll expenditure of \$20 million.

So as we prepare, the key word is, indeed, restraint.

The budget challenges I just mentioned will only compound the demands on state resources. Therefore, we must be wise; we must be prudent; we must have vision; and we must stand firm.

This budget meets the demands of short-term cyclical problems and we're continuing to implement long-term structural changes that will result in better government.

We should be proud of the steps we have taken over the past few years that have positioned Idaho so well. But we must not be complacent. While we have tremendous opportunities, we still face significant challenges.

So, what's the condition of Idaho? What's the state of the state? We can proudly say to our fellow Idahoans that this state stands tall among all 50 states. That we have demonstrated a resolve and a resiliency in some of the toughest times imaginable.

From a national recession and terrorist attacks to a war that overthrew a tyrant, we have remained strong.

Last year, when we were faced with difficult decisions, the media and others questioned why I would expend the political capital to lead out with tough medicine for our tough times.

First, it was the right thing to do.

And second, because for the rest of my life whenever I look young students in the eye, I'll know that I did right by them.

I didn't take the easy way out, and neither did you. It wasn't about politics, it was about our future.

I'm proud to serve with you.

The hard work we do inside this historic building is paying dividends all across Idaho.

When it gets tough, remember those graduates of Troy High School. Folks, you helped make that happen and you ought to be proud of that. And on behalf of untold youngsters, I say thank you.

Tonight, I'm going to deliver to you a CD-ROM containing my speech, my entire budget, and more information about the success we've shared together. And for the folks at home, this is all available on the Internet.

Every member of the Legislature will receive a CD with all the details of my Executive Budget. The Division of Financial Management is preparing to address this tomorrow morning – two days earlier than normal – as the Joint Finance-Appropriations Committee begins its deliberations.

We're ready to go.

I also want you to reflect on this nail from Troy High School.

Ladies and Gentlemen of the Idaho Legislature, here's where we've been and here's where we're going.

One of the big blockbuster films of this past year – Seabiscuit – starred a good friend and fellow Idahoan, Gary Stevens, one of the greatest jockeys ever.

And the outstanding producers of Seabiscuit – Frank Marshall and Kathleen Kennedy – who have produced some of the movie masterpieces of our day – chose to premier this epic film here in Idaho.

If you haven't seen the movie, I encourage all of you to see it with your family. And I'm not going to give away the key parts of this, but it does affirm that when you are on a very spirited, talented racehorse, there are times that you must keep tight hold of the reins and control that horse.

In fact, on the back stretch, you may even want to let a competitor draw even with you so that your horse can look the challenger in the eye – because it will never allow anything to overtake it.

And particularly in a long race, there are times to focus your energy and be prepared for the final stretch.

At the right time, the reins can be loosened, the energy unleashed.

With the budget challenges we face this year, and next, we too must keep in mind the home stretch. It will require us to keep a tight rein on our budget, and once we see those challenges of fiscal year 2006 through, we should be able to loosen the reins and hit full stride.

Ladies and gentlemen of the legislature and fellow Idahoans, many states have entered this race to pull out of this national recession. Idaho will go the distance, and we intend to win. Just like that champion in the movie, Idaho is a champion.

Thank you, and God Bless America, and God Bless Idaho.

Good night.

The Speaker thanked Governor Kempthorne for his message. The committee came forward and escorted the Governor from the House Chamber to the House Gallery.

On motion by Representative Denney, seconded by Representative Jaquet, by voice vote the State of the State Address was ordered spread upon the pages of the House and Senate Journals.

At this time Speaker Newcomb introduced Chief Justice Linda Copple Trout who delivered the following State of the Judiciary Address to the Joint Session:

Governor Kempthorne, Mr. Speaker, Mr. President, Congressman Simpson, my colleagues on the Supreme Court, judges of the Court of Appeals, constitutional officers, distinguished members of the Senate and House of Representatives, and fellow citizens of Idaho:

Every year as I stand before you to fulfill my responsibility to report to you on the state of the judiciary, I am stunned by the enormity of the task I am here to do. In my time with you this evening, I will attempt to convey briefly the accomplishments and hours of work by the judges, court clerks, and other personnel who make the courts of the State of Idaho a leader across the nation in service to the people.

I cannot possibly do justice to all of their work, but will hope to give you a glimpse of their extraordinary efforts and a finer appreciation of how well they have carried out your intent in the initiatives you pursue and legislation you adopt.

I also want to take this opportunity to remark on a couple of transitions on the Court. In 2003, we celebrated with Justice Jesse Walters his retirement after 26 years of service to the judiciary and welcomed Justice Roger Burdick to take his place. Many of you know Justice Burdick – his engaging sense of humor and ability, and opportunities, to laugh at himself. Apart from his sense of humor, though, he brings a very serious work ethic to the Court, a willingness to think objectively about the complex issues we address and a broad range of experience.

2003 also saw the announcement by Justice Wayne Kidwell that he will not seek another term this spring. Justice Kidwell has served on our Court with great distinction, as he did before as the Attorney General and the majority leader of the Senate. He has given most of his life in public service and it is with mixed emotions that we see him move to the next phase of his life – hopefully further serving the people by capturing the breathtaking scenery of Idaho through his superb photographs.

I also want to recognize and thank Governor Kempthorne for his great contribution to the judiciary. During the five years of his administration, he has appointed 18 new judges to the district court, Court of Appeals and Supreme Court. This is a remarkable achievement and an indelible stamp on the judiciary. Thanks in part to his personal interest and dedication to selecting only the best, I am pleased now to report to you on the excellent state of the judiciary in Idaho.

As in years past being challenged by social as well as legal issues; making courts accessible to the public; and dealing with increasing caseloads continue to drive the initiatives of the Court and to provide the focus for our efforts. We are blessed in Idaho to have a wonderful working relationship among the three branches of government. Through that partnership, we are able to accomplish innovations which elude other states.

Our drug courts, court assistance offices, mental health courts and family services, to mention only a few, are the result of joint efforts between the executive, legislative and judicial branches of government. Last year, the legislature passed and the Governor signed House Bill 369. Thanks to your foresight, a dedicated source of funding now supports our drug court and family court services.

When considering the complex social problems confronting the courts, no area is more troubling to me than the impact of drug and alcohol abuse on every aspect of life. There is no question we all pay for the addictions of a few. Drug courts have been a bright light in an otherwise bleak picture of society's inability to curb illegal drug and alcohol use.

We now have 30 drug courts operating in Idaho, with over 750 offenders participating. In a recent evaluation of our longest standing drug courts in Kootenai and Ada Counties, offenders from both courts had lower recidivism rates in contrast to comparison groups. Only 19% of the Ada County drug court graduates were arrested during the study period, compared to 77% of those who had failed to complete drug court. The study concludes that retention in drug courts is a key factor in lowering recidivism.

And statistics are not the only measure of success. In November, I attended the second graduation ceremony from Judge Randy Smith's drug court in Pocatello. When asked by Judge Smith to make a few remarks, one graduate said when he came into drug court, he had no job or prospects of a job, no driver's license or insurance, no car, no place to live, no possessions and absolutely no prospects for improving that situation. He had not seen his two daughters in three years.

At graduation, he reported that he has a good full-time job and a nice apartment, he recently had purchased the car of his dreams and has some other items beyond basic necessities. Most importantly, his two daughters were there in court with him for graduation.

This is not just "feel good" success. These are real people who had hit bottom. They have now, as a result of drug courts, become productive tax-paying citizens, who support their families and contribute immeasurably to their communities. But the benefits don't end there. Legislative Services recently reported that while in the 1980's and 90's state inmate population grew at about 10%, this budget year the Department of Corrections population growth is relatively flat, suggesting that legislative investments in substance abuse programs and drug courts are beginning to pay off.

The pilot mental health court in Madison and Bonneville Counties also continues to see success and is about to graduate the first two participants. Significant money has been saved because there have been few mental health commitments to stabilize the defendants and no hospitalizations at the state hospital.

In addition, a mental health diversion court for misdemeanors was started about a month ago to reduce the endless cycle of those with a serious mental illness in the criminal justice system.

We need to find better solutions for the seriously mentally ill charged with crimes and I hope to bring you a specific plan next session to expand mental health courts to other judicial districts.

We continue to help families and children who find themselves involved with the legal system.

- * Federal and state guidelines are in place to reduce the amount of time children spend in foster care.

- * We now have parenting coordinators available in the five most populous districts.

- * Children from an abusive home can have supervised visitation so they can continue to see both parents in a safe environment.

- * The state's first family violence court, started last year in Ada County, has expanded to include over 500 related criminal cases so that a family's custody, divorce, support and domestic violence issues can all be resolved by one judge, familiar with the entire family history and with the resources necessary to promote the safety of victims and their children and hold offenders accountable.

I also want to recognize all of those involved in juvenile corrections. Not only have juvenile petitions been reduced by 17% in the last year, but judges are holding juvenile offenders accountable and more effectively intervening and disrupting what would be a life-long pattern of crime. We now have eight juvenile drug courts, and effective youth courts, status offender services, parent-teen mediation, diversion efforts and other community-based solutions underway in every judicial district.

Recent data from the Ada County juvenile detention reform project indicates the length of stay in detention has decreased from 26 days to 11 days, without jeopardizing community safety. Just as in adult corrections, this is a concrete tangible savings to taxpayers.

Making the court system more accessible is another challenge we face. Court Assistance Offices now provide assistance to people who are not represented by attorneys. We have services available in all forty-four counties; a remarkable achievement in the five years since this project began. In 2003, almost 30,000 people used the services of a Court Assistance Office, a 34% increase over the prior year. We have standardized forms with instructions and videos for divorces, child custody disputes, domestic violence, landlord-tenant, name changes and small claims proceedings – all available on the Court's website as well as in county courthouses.

With your appropriation, we have joined a national consortium to assist in training and certifying court interpreters to deal with an increasing number of non-English speaking criminal defendants. However, we have seen two of our best interpreters hired away by other states which can provide more money and work. To that end, we are requesting modest funding to provide regional interpreters services in five judicial districts. Through this effort, we can assure that interpreters will have a steady source of income and work, while at the same time providing qualified court interpreters to assist judges.

In our continued effort to reach out and “demystify” the courts, I am pleased to note the positive impact of cameras in the courtrooms. Most stories of interest now carry at least one film clip or still photo to show the proceeding in court.

We have both a pocket guide to the courts and an electronic on-line version available to the media. The guides have gone a long way in increasing the depth of news stories about the legal system. I am particularly grateful for the participation of members of the media who have helped to make this possible.

The third challenge facing the courts is the ever-increasing numbers and complexity of cases filed. Felony drug case filings have doubled since 1998, while district court civil filings have increased by 31%. Judges are handling significantly more cases in less time, and without any new judicial positions requested during that six-year time period. We have been able to keep up this pace, largely through the assistance of retired senior judges.

Because we have been able to attract and keep judges working even after retirement, we continue to meet our time standards and provide quality justice and we continue to undertake the many innovations needed in these challenging times. We are asking you for a slight increase in funding to provide additional senior judge time and travel.

All of our efforts were accomplished with the strict budgetary cutbacks in place. Throughout these lean times, the judges of Idaho have continued to do more with less. We have begun new initiatives to address alcohol and drug abuse, to make the courts accessible to the citizens and to resolve civil and criminal matters fairly and efficiently. I don’t mean to suggest that these efforts have come easily or without sacrifice. I applaud the incredible efforts of every one of our judges.

Every year brings new challenges, but new successes as well. I am very honored to have been elected twice by the Supreme Court to be the Chief Justice and honored to have this annual opportunity to report to you on the progress being made in our courts. Nothing gives me greater pride than to attend national meetings and to share with others the tremendous achievements of our judiciary in Idaho.

It is a tribute, however, not just to our hardworking judges, but to our hardworking citizen legislature, Governor Kempthorne and state elected officials as well. We have been able to accomplish so much, even in the face of challenging economic times. I look forward to our continued partnership; I thank you for your time and attention this evening; and I wish you the very best for a productive legislative session.

The Speaker thanked Chief Justice Linda Copple Trout for her remarks.

The committees came forward and escorted the Governor, the Supreme Court Justices, Appellate Court Judges, and the elected officials to their chambers and offices respectively, and were, on their return, thanked and discharged by the Speaker.

On motion by Representative Denney, seconded by Representative Jaquet, by voice vote the Joint Session was dissolved.

The appointed committee came forward and escorted the Senators from the House Chamber.

The members of the Senate returned to the Senate Chamber.

On request by Senator Davis, granted by unanimous consent, the State of the Judiciary Address was ordered spread upon the pages of the Senate Journal.

On request by Senator Davis, granted by unanimous consent, the Senate advanced to the Fifteenth Order of Business.

Miscellaneous Business

On motion by Senator Davis, seconded by Senator Stegner, by voice vote the Senate adjourned at 8:30 p.m. until the hour of 11:30 a.m., Tuesday, January 13, 2004.

JAMES E. RISCH, President

Attest: JEANNINE WOOD, Secretary